

BUCKETED

APR 11 1979

APR 12 1979

MR STUART CUNNINGHAM
o'clock
CLERK

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BALLY MANUFACTURING CORPORATION,)
Plaintiff,) CIVIL ACTION NO. 78 C 2246
v.)
D. GOTTLIEB & CO. and) JUDGE GRADY
WILLIAMS ELECTRONICS, INC.,)
Defendants.)

NOTICE OF MOTION

TO: Donald L. Welsh, Esq. Charles S. Oslakovic, Esq.
A. Sidney Katz, Esq. Leydig, Voit, Osann, Mayer,
Fitch, Even & Tabin & Holt Ltd.
135 S. LaSalle Street One IBM Plaza
Chicago, Illinois 60603 Chicago, Illinois 60611

PLEASE TAKE NOTICE that at 3 P.M. on the 11th day of April, 1979, Williams Electronics, Inc. will appear before the Honorable John F. Grady, or any other Judge who may be sitting in his place, at the United States District Court for the Northern District of Illinois, Chicago, Illinois, and present its MOTION FOR ACCESS TO PLAINTIFF'S DOCUMENTS attached hereto.

Melvin M. Goldenberg
Melvin M. Goldenberg
William T. Rifkin
McDougall, Hersh & Scott
135 S. LaSalle Street
Chicago, Illinois 60603
(312) 346-0338 - Firm ID 323
Attorneys for Defendant

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BALLY MANUFACTURING CORPORATION,)
)
Plaintiff,)
)
v.)
)
D. GOTTLIEB & CO. and)
WILLIAMS ELECTRONICS, INC.,)
)
Defendants.)

CIVIL ACTION NO. 78 C 2246
JUDGE GRADY

MOTION FOR ACCESS TO PLAINTIFF'S
DOCUMENTS

Now comes the defendant WILLIAMS ELECTRONICS, INC. and moves the Court for an order permitting access to plaintiff's documents relating to its dates of invention. These documents have been produced to defendant in a sealed envelope on the condition that the envelope not be opened until certain requirements are satisfied. It is defendant's position, as set forth in the attached memorandum in support of this motion, that these conditions have been satisfied.

Accordingly, the granting of this motion is respectfully requested.

Respectfully submitted,
WILLIAMS ELECTRONICS, INC.

Melvin M. Goldenberg

Melvin M. Goldenberg
William T. Rifkin
McDougall, Hersh & Scott
135 S. LaSalle Street
Chicago, Illinois 60603
(312) 346-0338 - Firm ID 323
Attorneys for Defendant

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BALLY MANUFACTURING CORPORATION,)
)
 Plaintiff,) CIVIL ACTION
)
 v.) NO. 78 C 2246
)
D. GOTTLIEB & CO. and) JUDGE JOHN F. GRADY
WILLIAMS ELECTRICS, INC.,)
)
 Defendants.)

MEMORANDUM IN SUPPORT OF MOTION
FOR ACCESS

Introduction

This is an action for patent infringement in which the defendants are asserting as one of their defenses the defense of prior invention by another. Such is provided for under the statute:

"35 U.S.C. § 102(g)

Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless -

before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other."

After the complaint was filed and investigations by the defendants underway it was learned that two California based companies, Atari, Inc. and Ramtek Corporation, both of Sunnyvale, had sometime during 1974, 1975 had developed a computer or microprocessor controlled pinball game (which is, broadly speaking, the subject matter of the patent in suit). Because this work was done before the application for the patent in suit was filed on May 13, 1975, the defendants concluded that the defense of prior invention by another was quite possibly of great importance in this case.

So concluding, defendants undertook investigations in California with respect to the activities of Ramtek and Atari. On October 5, 1978 the defendant Williams served a Rule 34 document request on the plaintiff which, among other things, called for the production of documents in Bally's possession related to "the making of the alleged invention including its conception, diligence in reducing to practice and reduction(s) to practice." (Request No. 1(E)).

In response to a request made by the plaintiff the time for response to the document request of October 5 was extended to December 6, 1978. On December 6 the plaintiff responded to this request by objecting to it,

asserting that for plaintiff to disclose its dates would be prejudicial and that such a document production should be made contemporaneously by a mutual exchange of documents intended to be relied on and because the request required a legal interpretation.

On December 11, 1978 there was a conference between counsel for the defendant Williams and plaintiff, at which time an agreement was reached that the documents requested in Request No. 1(E) would be produced in a sealed envelope subject to Williams' agreement not to open them until after completing the depositions of Atari and Ramtek. It was further agreed that if other potential prior inventors were discovered and depositions scheduled, the opening of the envelope would be further delayed until completion of those depositions. This agreement is recorded in a letter dated December 13, 1978 (Exhibit A).*

In furtherance of this agreement two sealed envelopes containing documents have been delivered to the defendant Williams and remain in the custody of its attorney.

*Subsequently the defendant Gottlieb agreed to be bound in the same fashion.

In January of 1979 depositions of Atari personnel were undertaken, and in connection with those depositions and prior thereto a large number of documents were produced from the files of Atari. At the same time some of the documents from Ramtek were produced by that company and made available to the plaintiff.

The Atari depositions commenced on January 10 and were adjourned on January 19 at the request of plaintiff's attorney so that they were not completed. However, in the course of those depositions several hundred Atari documents were made available to the parties and many were marked as deposition exhibits.

In the latter part of February defendants took the deposition of Ramtek personnel and, as in the case of the Atari depositions, a number of documents were produced and made available to the plaintiff and again were marked as deposition exhibits.

Thus at the end of February plaintiff was fully apprised of the dates for conception, reduction to practice and diligence which could possibly be asserted by the defendants in connection with their prior invention defense. This awareness included having in their hands the documents

on which the defendants were going to rely in support of their prior invention defense.

Those depositions have not been completed, and indeed the prior invention defense may or may not be proven in the end, but that is not the issue presented by this motion.

In January during the course of the Atari depositions it became clear that the essential purposes of the agreement between counsel, namely, that there should be no prejudice to the plaintiff, had been fully served. That is, they knew Atari's dates because of the documents they had and the testimony of the witnesses. Likewise they had been given some of the Ramtek documents earlier.

On January 13 at a meeting between counsel for plaintiff and defendant Williams, plaintiff was asked if they would not treat the purposes of the agreement as being fully served inasmuch as the plaintiff was fully aware of Atari's dates and had in their possession the documents which showed the Ramtek dates and the sealed envelope containing the sealed documents to be opened. Plaintiff took this request under advisement and later informed defendant Williams that it was insisting upon a strict compliance with the agreement.

Subsequent requests made by the defendant Williams to the same effect were refused.

On March 14 a letter was directed to the defendant's attorney asking for reconfirmation of the agreement (Exhibit B). Defendant's attorney responded to this letter on March 22 (Exhibit C) reconfirming the agreement, as had to be done, but once again requested that the parties treat the agreement as having been complied with. On April 9 following the deposition of an officer of the defendant Williams there was a conference between the attorneys for all of the parties, in the course of which plaintiff was asked once again to permit the envelope to be opened. Again plaintiff insisted upon the completion of the Atari and Ramtek depositions before that could be done.

In the course of that conference plaintiff was advised that the defendants have no intention of resuming the Atari depositions as it now appears possible to call the Atari employees as witnesses at the trial of this case. Plaintiff still refused to permit the documents to be inspected. Plaintiff stated that they might take depositions of the Atari personnel, and that until that was done they would not consent to any modification of the agreement.

On March 23 a letter was received from the plaintiff advising that resumption of the Atari depositions would have to be postponed (Exhibit D). The defendants reconsidered their trial preparation strategy, and on March 23 served a notice of taking the depositions of the patentees and two other employees of the plaintiff. These depositions are scheduled to commence on May 1. The purpose of these depositions is to elicit information from the patentees and other Bally employees with respect to the invention dates. It is beyond argument that those depositions can be more efficiently conducted were the defendants to have available to them the pertinent documents before the depositions commence.

Argument

The prior invention defense raised by defendants in this case is not an uncommon one in patent litigation. Because it always exists as a possibility, it is entirely appropriate in discovery to inquire of the patentee with respect to those dates which he claims, and in so doing to seek the documents upon which he would rely. See Technitrol Inc. v. Digital Equipment Corp., ____ F.Supp. ____; 180 U.S.P.Q. 192 (N.D. Ill. 1973). The defendant Williams, although it believed it had the right to obtain the documents sought, without the restrictions requested by the plaintiff nevertheless agreed because of a desire

to avoid a discovery controversy. The end result of this is that the plaintiff is fully aware of the defendants' position, while the defendants on the other hand have no knowledge whatsoever of the plaintiff's with respect to this aspect of the case.

There is a situation quite common in patent practice which is very analogous to that which exists here. If either Atari or Ramtek had chosen to file a patent application based on their work (which they did not), and that patent application was copending with the application for the patent in suit, were certain requirements of the Patent and Trademark Office expressed in its Rules of Practice complied with a so-called "interference" would have been declared. This is a proceeding conducted by the Patent Office to determine which of two or more rival applicants is the first inventor under the law. In the conduct of these proceedings the Patent Office requires in the very early stages that a so-called "preliminary statement" be filed. That preliminary statement is an affidavit or declaration by the inventor setting forth his contentions about his date of conception, reduction to practice and when diligence toward reducing to practice was commenced. See 37 C.F.R. §§ 1.215, 1.216 and 1.218. Patent

Office practice further provides that after the preliminary statements have been filed each party will have access to the others, assuming that the party wanting access has in fact filed his own preliminary statement (37 C.F.R. § 1.227). The interference then proceeds with time provided for the exchange of documents and the taking of testimony. In other words, there is a pretrial and a trial period.

The analogy to the situation in this case is perfect. There is a priority contest for the question is who is the first inventor, Bally, Ramtek or Atari. Each party should be aware of the other's date.

In this contest the plaintiff is in the position knowing all about defendants' case, but defendants have no way of making comparable discovery of the plaintiff. Further, plaintiff by delaying or not undertaking at all further depositions of Ramtek or Atari or anyone else that may be involved has erected and can maintain an absolute road block to defendants' discovery.

In sum, the situation is this. There was and is an agreement between the counsel for the parties with respect to the production of documents by the plaintiff which would tend to show their dates of conception, reduction to practice or activities toward diligence. The

facts of this case make those events matters of moment. The defendants have spent thousands of dollars in trying to prove what they believe to be an important defense in this lawsuit. Whether or not it is or to what extent it is a defense depends on the plaintiff's dates. An agreement was made to avoid prejudice to the parties. The defendants by moving as diligently as the schedule of their lawyers permitted and accommodating all the while the requests of the plaintiff for delays and postponements are in the position of not knowing where they really stand. There is every possibility that this situation will continue until the close of discovery in this case (now set for August 1, 1979), or even worse to the eve of trial. The documents should be made available for inspection and copying by the defendants so that they might use them in their further discovery in this case. There is no harm to the plaintiff. The matter calls for rectification.

Conclusion

The question presented to this Court, therefore, is simply whether or not the defendants are going to have an opportunity to take meaningful discovery of the plaintiff with respect to a very important aspect of this lawsuit. As matters now stand that does not seem possible. Therefore, the defendants can do nothing other than come to

this Court for relief and ask it to hold, as we believe it should, that the purposes of the agreement between counsel having been fully served defendants are entitled to inspect the documents being effectively withheld from them and that the right of inspection should be immediate.

Respectfully submitted,

Melvin M. Goldenberg

Melvin M. Goldenberg
William T. Rifkin
McDOUGALL, HERSH & SCOTT
135 South LaSalle Street
Chicago, Illinois 60603
Tele.: 312-346-0338

Attorneys for Defendant Williams
Electronics, Inc.

December 13, 1978

Donald Welsh, Esq., and
A. Sidney Katz, Esq.,
Fitch, Even, Tabin and Luedeka,
135 South LaSalle Street,
Chicago, Illinois 60603.

DELIVERY BY HAND

Re: Rule 12(d) Conference Pertaining to Defendant's
First Request for Documents.

Dear Don and Sid:

This letter will set forth our understanding of the agreements reached at our conference on Monday, December 11, concerning our request for documents. In what follows, it is understood that you are preparing a protective order which it is assumed will be agreed to. You are undertaking the preparation of this order, it is hoped that we may have it as soon as possible.

REQUEST NO. 1A You will produce documents and things relating to the first offer for sale. If the first offer occurred within the statutory year, no other documents need be produced. If the first offer for sale occurred prior to the statutory year, you will produce documents up to the filing date of the 232 patent relating to the first offer for sale and subsequent offers for sale.

REQUEST NO. 1B The documents have been produced but not all serial numbers of the electronic version have been accounted for. You will check into this.

REQUEST NO. 1C You will produce these documents subject to the protective order, reserving the right to ask for more restrictive treatment where necessary.

REQUEST NO. 1D You will produce these documents and things.

REQUEST NO. 1E You will produce these documents and things in a sealed envelope subject to our agreement not to open the envelope until after completing the depositions of Atari and Ramtek. In the event that other potential prior inventors are

Don Welsh & Sid Katz

December 13, 1978

liscoved and depositions scheduled, the opening of the envelope will be further delayed until completion of those depositions.

REQUEST NO. 1F You will produce the documents called for which are dated prior to the filing date of the 232 patent.

REQUEST NO. 1G You will produce the documents.

REQUEST NO. 1H You will produce disclosure documents and the results of any novelty search. You will not produce opinions of counsel relating to such searches.

REQUEST NO. 1I You will produce the documents called for which are dated prior to the filing date of the 232 patent.

REQUEST NO. 1J You will produce the documents for representative gain. No repair reports need be produced.

REQUEST NO. 1K You will produce representative documents including at least one piece for each gain.

REQUEST NO. 1L You will produce these documents subject to the same conditions set forth with respect to category 1E.

REQUESTS NOS. 2A, B, C & D These documents need not be produced based upon your agreement to enter into a stipulation which we are preparing that Bally Alley is acknowledged prior art with respect to the invention disclosed and claimed in the 232 patent.

REQUESTS NOS. 2E & F. You will produce the documents.

REQUEST NO. 2H You have advised us that no patent application was filed

REQUEST NO. 2I Need not be answered since Bally Alley is acknowledged prior art.

REQUESTS NOS. 2J & K You will produce the documents.

REQUEST NO. 2L You will produce the documents for the design and development.

REQUESTS NOS. 3A, B, C & D You will produce the documents limited to the subject matter in suit.

Don Welsh & Sid Katz

December 13, 1978

REQUESTS NOS. 4A & B We agreed to revise this request by striking the word "computers" and by changing the word "multiplexors" to -- means for multiplexing -- in part A. In addition we offered to limit the request to publications and patents dated prior to the filing date of the application for the 232 patent. In spite of these clarifications, you would not agree to produce these documents contending the request was unduly broad and not reasonably calculated to lead to the discovery of admissible evidence. We indicated that the production of these documents is vital and accordingly we intend to pursue the matter in the near future by way of Rule 37.

REQUEST NO. 5 The documents being produced in response to request IJ are also responsive to request No. 5 and, accordingly, unless there are additional documents fulfilling request 5, a proper response to IJ will be satisfactory.

During the course of our conference, you indicated that you would undertake to produce the documents agreed to as soon as possible in view of the time extension which has been granted. In order that the depositions may proceed efficiently, we look forward to your fulfilling this undertaking.

I would appreciate having your view of any agreements stated herein which are not in accord with your understanding of the matters raised.

Very truly yours,

William T. Rifkin

WTR/eap

c.c. Leroy Mitchell, Esq.

FITCH, EVEN, TABIN & LUEDEKA

SUITE 900 - 135 SOUTH LA SALLE STREET

CHICAGO, ILLINOIS 60603

(312) 372-7842

CABLE ADDRESS "PATLAW"

M. LUEDEKA
GAN L. FITCH, JR.
NCIS A. EVEN
IUS TABIN
N. F. FLANNERY
BERT K. SCHUMACHER
BERT B. JONES
ALD L. WELSH
ES J. SCHUMANN
TEVEN PINKSTAFF
RUCE MCCUBBREY
ES R. MCBRIDE
ES J. HAMILL
BONEY KATZ
JL E. HODGES *
ES J. MYRICK
ER D. GREER
HN A. BUCHER **

ILLIP H. WATT
HARD L. WOOD
GAN L. FITCH IV
LIAM K. KONRAD

MITTED TO TENNESSEE BAR ONLY
MITTED TO CALIFORNIA BAR ONLY

FOUNDED IN 1859 AS
GOODWIN, LARNED & GOODWIN

WILLIAM E. ANDERSON
OF COUNSEL

JULIUS TABIN

J. BRUCE MCCUBBREY

JOHN A. BUCHER

ADMITTED TO CALIFORNIA BAR

401 RUSS BUILDING

SAN FRANCISCO, CALIF. 94104

(415) 981-8008

EDWIN M. LUEDEKA

PAUL E. HODGES

ADMITTED TO TENNESSEE BAR

SUITE 1230-505 GAY STREET, S.W.

KNOXVILLE, TENNESSEE 37902

(615) 546-4305

March 14, 1979

RECEIVED

MAR 16 1979

McDOUGALL, Hersh & Scott
135 South LaSalle Street
Suite 1540
Chicago, Illinois 60603

Re: Bally v. Gottlieb & Williams
Our File No. 37452

Dear Mel:

This letter is to reconfirm our agreement with respect to the plaintiff's documents which have been produced in a sealed envelope, in response to your request for production of documents, such documents relating to the conception and reduction to practice of the invention of the Nutting, et al. patent in suit. To avoid delay in producing these documents to you in the sealed envelope prior to the scheduled Atari depositions in California, they were not stamped "confidential", but it is understood that they should be considered to be confidential, for attorney's eyes only, under the protective order which we contemplate will be entered into among all of the parties to this suit.

At such time as the sealed envelope with plaintiff's documents is opened, we would like to have an attorney from our office present to be able to apply the confidential stamp to each of those documents.

As you know, we presented copies of a proposed protective order to you and Lee Mitchell during the Atari depositions in January, and you recently indicated that although you had no objections to it, Lee Mitchell wanted to

Melvin M. Goldenberg, Esq.

March 14, 1979
Page 2

propose some revisions. He was scheduled to meet with us at our offices on March 13, but he never made the meeting. He called today, and we have some tentative arrangements to meet with respect to a Rule 12(d) conference on Saturday, April 7. In the meantime, he is mailing his proposed revisions of the protective order to us, and we hope to be able to resolve any problems as soon as possible so that document production will not be held up because of confidentiality considerations between the parties.

Very truly yours,

FITCH, EVEN & TABIN

By



Donald L. Welsh

DLW:lam

cc: Leroy W. Mitchell, Esq.

March 22, 1979

Donald L. Welsh, Esq.
Fitch, Even, Tabin & Luedeka
Suite 900
135 South LaSalle Street
Chicago, Illinois 60603

Re: Bally v. Gottlieb et al

Dear Don:

I have your letter of March 14.

While I can and do reconfirm our agreement with respect to plaintiff's documents which have been produced in a sealed envelope pertaining to the asserted and dates of invention for the patent in suit, I do once again ask you to reconsider the propriety of and necessity for continuing that agreement.

I believe your understanding of the purposes of that agreement is the same as mine. That is, it was to provide a mechanism where each side would have to establish its claimed dates, or those of other parties, Atari and Ramtek, without knowledge of the other's dates. It seems to me, as I have said before, that that purpose has been fully served and it is unfair to the defendants to place them in the position of expending considerable effort and money to investigate and possibly attempt to prove dates which might turn out to be of no significance when they are attempting to prove a prior invention by another.

This case is now about nine months old and we still do not know the dates claimed by the plaintiff. As you can imagine, we certainly intend to take the depositions of Nutting and Frederiksen as soon as we can. It would be an absolute waste of time and money to go forward with those depositions without having the documents available when they are taken. If both sides did not know this before this litigation, and I am sure they did, certainly the discovery so far has shown this to be the case.

Donald L. Welsh, Esq.

-2-

March 22, 1979

At this time you are fully apprised with respect to Atari's and Ramtek's work. There is nothing the defendants can do to alter those dates. I have no doubt that we disagree as to whether or not defendants have proven those dates at this point, but that is not the issue. The issue is whether or not defendants should be provided with information to permit them to make decisions with full knowledge of Bally's position. Consequently, once again I ask you to reconsider the matter and permit us to examine the documents.

I have no difficulty in agreeing with your right to stamp the documents confidential in accordance with whatever protective order we agree on. I believe that Lee Mitchell has submitted to you a protective order form if you are willing to sign it. I hope it meets with your approval.

While I believe we can reach agreement on a protective order, I am troubled about Bally's reissue application and defendants' protest. We have protested on the ground that others, Atari at this point and perhaps Ramtek later, are earlier inventors. If the matter proceeds in the Patent and Trademark Office to the point where Bally attempts to prove earlier dates the defendants should not be inhibited from introducing Bally documents which may support their view. I think you would agree that the protective order should deal with this problem.

Sincerely,

MMG:ds

Melvin M. Goldenberg

cc: Leroy W. Mitchell, Esq.

March 23, 1979

Donald L. Welsh, Esq.
Fitch, Even, Tabin & Luedeka
135 South LaSalle Street
Chicago, Illinois 60603

Re: Bally v. Gottlieb and Williams
Your File 37452

Dear Don:

Today I received my copy of your letter of March 22 to Lee with respect to setting back the Atari depositions previously scheduled to resume on April 24.

After thinking about this matter I have discussed it with Lee, and he and I are now agreed that we can better take advantage of your availability from May 1 through May 11 to take the depositions of Messrs. Bracha, Englehardt, Nutting and Frederiksen. Accordingly, I am serving herewith a notice for such depositions, the notice being on behalf of both Gottlieb and Williams.

This should cause no problem for you as it does appear that you have indicated that you and Mr. Katz will be available for activities in connection with this case from May 1 through May 11, and a month's lead time is available to arrange for the availability of the witnesses.

Of course, it is our intention to resume and complete the Atari and Ramtek depositions in California at the earliest possible date.

It is my understanding from previous conversations that in connection with discovery matters in this case you make no distinction between Bally and any of its subsidiaries, particularly Midway and Nutting Associates, Inc. Therefore, I assume no subpoena is necessary.

Donald L. Welsh, Esq.

-2-

March 23, 1979

Obviously if I am incorrect in my understanding of our agreement on this point it is imperative that you advise me at once in order that we may cause the necessary subpoenas to issue.

Sincerely,

Melvin M. Goldenberg

MMG:ds
encl.

cc: Leroy W. Mitchell, Esq.

Wayne M. Harding, Esq.